



Nova School of Business and Economics

Master in Management

Work Project



Connect to Success – Consulting Program of the U.S. Embassy Lisbon

Creation of a Business Plan for “Quinta dos I’s”

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Academic Year 2015 – 2016

8th January 2016

Title

Creation of a Business Plan for “Quinta dos I’s”

Abstract

The purpose of this project is to analyse and evaluate if the rural tourism cottage *Quinta dos I’s* will be profitable within the first five years of operation. It starts with a brief description of the business, followed by an industry analysis of the rural tourism market in Portugal and an intensive competitor analysis to evaluate *Quinta dos I’s*’ competitive advantages. The project then defines a marketing plan to generate awareness and establish the cottage in the market. Finally, a financial analysis is performed to examine the outcome of *Quinta dos I’s*’ recommended strategic activities. The results of this project show that the cottage is profitable after the first year of operation and expects to grow annually.

Keywords:

Quinta dos I’s

Rural tourism

Cottage

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Executive Summary

The cottage *Quinta dos I's* is a rural tourism destination located in the countryside of the Algarve in Portugal and has been in operation since August 2015. Its long-term objective is to create a differentiated experience for customers, capitalizing on an excellent service, the surrounding natural environment and a high quality restaurant offering local gastronomy.

The Algarve as a very dense touristic region with a great amount of different destinations increases competition and forces potential accommodations to differentiate themselves. By being part of the rural tourism market, the number of *Quinta dos I's*' direct competitors is relatively low with less than 40 in total. In comparison, *Quinta dos I's*' provision of an excellent room and shuttle service as well as a high quality restaurant indicate differentiating features which are considered to be competitive advantages.

Quinta dos I's' target audience includes families with children during the high season and retirees during the low season with a high purchasing power who are interested in the rural experience and desire to have a relaxing holiday.

In order to reach this target audience a marketing strategy of attracting families with children through online tactics such as advertisements on online booking websites, an own homepage, Facebook and Instagram activities as well as discounts for longer stays is performed.

Concerning the retirees, *Quinta dos I's* especially focuses on Scandinavian retirees who want to escape the cold winter months. By promoting the cottage through offline tactics such as fliers and brochures, provided by travel agencies on-site, as well as discounts for longer periods of time, *Quinta dos I's* is fighting seasonality and attracts a decent occupancy.

Concerning the financial situation, *Quinta dos I's*' initial investment of €299,498 in 2013 to transform the house into a cottage was mainly covered by a government subsidy of €179,699.

Due to seasonality the high season earnings exceed the low season earnings in the years from 2015 to 2020 by 100% on average. In 2015, total sales are expected to be around €50,000

with costs reaching €35,000. Up until 2020, sales increase to €250,000 while costs are rising to €105,000. Concerning the profits per period, 2013 was the only year with negative earnings. From there on, *Quinta dos I's* generates profits in every year of operation. This underlines the stable financial situation of the cottage and demonstrates a positive future outlook.

1. Business Plan

A business plan “serves as a blueprint to guide the firm’s policies and strategies” (Business Dictionary, 2015) and markets the business idea as a whole towards potential investors as well as stakeholders (Schwetje & Vaseghi, 2007).

For entrepreneurial businesses it helps to get a clear and concise overview of the most important tasks and the necessary steps to be taken in the future. Furthermore, potential investors are provided with the needed information to determine whether they should finance the business or not (Lavinsky, 2013). For already existing businesses, the development of a business plan is also seen as an advantage because it refocuses the business on its strategy, tracks goals and results and can be a critical driver of future growth (Berry, 2008).

2. Tourism in Portugal

Portugal is a well-known country for its investment in tourism, with internationally known regions such as the Algarve and the cities of Porto and Lisbon, which have recently earned a lot of tourism awards and are nowadays considered to be two of the best cities worldwide to visit (European Best Destinations, 2014 & 2015). The Algarve has earned the status of being one of the best travel destinations for tourists long before and was awarded Europe’s leading beach destination in 2015, underlining its steady growing popularity (World Travel Awards, 2015). According to Portugal’s Secretary of State of Tourism, 2014 was “the best year ever in tourism” with revenues reaching more than €10 billion (Algarvedailynews, 2015), contributing to 6% of the total GDP in Portugal and with a forecast of rising by 3.1% in 2015 (WTTC, 2015).

2.1 Role of Rural Tourism

The OECD defines rural tourism as “tourism which takes place in the countryside” (OECD, 1994, p.8). Even though, the application of this definition to all rural areas worldwide is

difficult because rural tourism varies from country to country, it is always dominated by the following three characteristics: population density, land use dominated by agriculture and forestry and lastly, traditional social structures of the community and its heritage (OECD, 1994, p.9).

The Portuguese rural tourism sector, called “Turismo em Espaço Rural (TER)”, is characterized by a fragmented market, including country houses, village tourism, agro tourism and rural hotels. All of these types share common features: they are small in size, mainly family-owned lodgings and respect the natural and architectural characteristics of the surrounding environment (DGADR, n.d.).

TER first started in the 1970’s with minor influence on the Portuguese tourism market (CENTER, 2015). Due to the more demanding and diversified profile of tourists, its importance increased in the last decade and in the Algarve rural tourism is becoming popular and creates growth rates. *Quinta dos I’s* is following this trend by offering a more effective personalization of services as well as acknowledging the natural and cultural heritage appropriately. In total, the emergence of innovative entrepreneurial tourism projects is of vital importance for the dynamism of rural areas and for the Portuguese tourism market in general.

3. Company Overview

3.1 Company History

The house *Quinta dos I’s* was built by the owner’s family ancestors, the Neves family before 1940. The grandfather of today’s owner, Carla Neves, had three siblings, Inácia Neves, Inácio Neves and Isabel Neves, after whom the cottage is named. In July 2013, Carla Neves’ family started the process of transforming the single family house into a rural tourism cottage. The official opening took place on 16th August 2015.

3.2 Mission and Vision

Mission: “To create an unforgettable stay by providing excellent customer service and a unique and comfortable wellness experience in perfect harmony with nature.”

Vision: “*Quinta dos I’s* wants to become a reference in the national rural tourism market by offering a differentiated service.”

3.3 Type of Legal Entity

Quinta dos I’s is a “sociedade unipessoal por quotas”, with Carla Neves and her husband each owning 50% of the business.

3.4 Location

Quinta dos I’s is located in the countryside of Algarve Barrocal, which is famous for its agricultural cultivation of oranges, near the city of Silves and the village of Algoz. The total area of the cottage is 540m² and it can be reached through route N264 going to São Bartolomeu de Messines. The airport of Faro is about 40 km southeast of the cottage.

3.5 Products and Services

The cottage is equipped with a reception, a bar, a restaurant and a function hall. It has six bedrooms and two suites with each having a private bathroom and balcony. In addition to the garden and swimming pool, guests can enjoy several footpaths through the many orange and citrus groves in the region. *Quinta dos I’s* also provides Wi-Fi internet in the common areas, bikes for rent and offers tickets for different activities such as visiting aquatic parks, theme parks, doing boat trips, safaris as well as car rentals.

3.6 Target Market

Quinta dos I’s’ target group are families with children as well as retirees of 65 years and older with a high purchasing power and socio-cultural awareness who travel throughout the year.

They look for a comfortable accommodation in a peaceful and remote area to relax, be part of the surrounding nature and enjoy a cozy family environment. In addition, these people are willing to support rural tourism by consuming local products and buying crafts from the region.

3.7 Business Objectives

Quinta dos I's' business objectives are aligned with its mission and vision statement, making it a clear priority for all employees to understand them and act accordingly. The objectives defined are the following:

- get a positive feedback rate of over 90% in the first year;
- achieve an occupancy rate of 30% on average in the first year;
- achieve a 15% occupancy growth after the first year;
- become a top 10 rural tourism destination in the Algarve after 5 years;
- promote the rural culture and gastronomy;
- have a sustainable and profitable business after the third year of operation.

4. Industry Analysis

4.1 Market Size and Trends

According to the European Commission, the rural tourism market is steadily developing and gaining growth worldwide (EC, 2012). Concerning the most recent official statistics of the Portuguese tourism department and its national statistics institute, a total of 14.4 million guests visited Portugal in 2013 which increased to 16.1 million visitors in 2014 (Statista, 2015a). For 2015 the number of tourists was expected to rise to 17 million, underlining that Portugal is one of the fastest-growing destinations in Europe (Económico, 2015).

Taking into account the development of the rural tourism market in Portugal from 2009 to 2011, the number of accommodations stayed around 950, but declined by 26% to 704 in 2012 and by 7% to 656 in 2013 (Turismo de Portugal, 2015a, p.73).

Considering the overall bed capacity of rural lodgings, the total number did not fluctuate much and stayed at around 10,200 on average from 2009 to 2013, with a slight increase of 5.9% to 10,280 in 2013 (Turismo de Portugal, 2015a, p.74).

In total, the rural tourism sector accommodated 247,000 guests in 2013, -8.1% in comparison to the last year, and registered 530,000 nights spent by guests, -8.6% compared to the previous year, resulting in an average stay of 2.15 nights (INE, 2014). Of these 247,000 tourists around two-thirds were Portuguese and about 80,000 guests were foreign of which the following countries make up the majority: Germany is the country that contributes the most to this type of tourism in Portugal, with 17.4% of the guests, followed by France with 14.7%, Spain with 14.3%, the Netherlands with 10.9%, and lastly, the United Kingdom with 8.7% (INE, 2014, p.92).

Taking the mentioned facts into account, the prediction of the European Commission (2012) of a growing rural tourism market does not hold true for Portugal. However, the number of country houses and cottages in Portugal increased from 316 in 2009 to 393 in 2013 (+25%), then accounting for 60% of the rural tourism businesses compared to just 33% in 2009 (Turismo de Portugal, 2015a, p.73). In terms of nights spent, country houses are once more the only accommodation type with an increase of 20% from 3,859 in 2012 to 4,796 in 2013 (Turismo de Portugal, 2015a, p.75).

Moreover, even though the total number of accommodations and number of guests declined from 2011 to 2013, excluding country houses and cottages, the rural tourism sector in the Algarve presented the lone exception with a constant number of rural locations of around 37 throughout the years. All other regions recorded declines (Turismo de Portugal, 2015a, p.73).

It can be said that rural country houses and cottages in the Algarve show a lot of room for improvement, with a slow increase in popularity, a growing number of guests and a viable business area to invest in, demonstrating a positive future outlook.

4.2 Porter's Five Forces

Internal Rivalry

On the one hand the whole tourism market in Portugal is in a phase of maturity with a large number of competitors. On the other hand the rural tourism sector is a slowly growing and highly fragmented market with a slowly increasing number of competitors. Many competitors are small family-owned businesses, trying to stand out against the other through unique and distinctive offers combined with different qualities of the surrounding environment (Costa, 2015). The costs of switching between several accommodation offers is zero, customers can freely choose the desired vacation spot leading to an increased rivalry. Moreover, due to the high capital requirements for business owners, exit barriers are rather high. Considering the fact that the rural tourism market as well as the number of competitors is still growing, **the internal rivalry is considered to be moderate.**

Threat of New Entrants

“In theory, any firm should be able to enter and exit a market” (Doyle, 2011, p.174), but in reality there are a set of barriers to enter and to exit which have to be taken into account. In order to enter the rural tourism market, neither patents nor proprietary know-how are necessary to establish a rural accommodation. Experience in the tourism sector can be helpful but is not a mandatory requirement because the rural tourism sector is characterized by many small cottages who have an entrepreneurial style of doing business.

Creating customer loyalty is a long-term goal of rural tourism, but today's generation is always eager to experience new places which makes it hard to establish loyalty, especially due

to the non-existence of switching costs. High capital requirements are necessary to set up or acquire the accommodation. These sunk costs can prevent potential entrants. An effective marketing strategy to raise awareness is rather costly as well but is a necessary tool to attract potential customers. In order to open a rural tourism accommodation and host guests, an authorization for tourism purposes from the local municipality has to be requested, with certain requirements to be met in order to receive approval. Moreover, even if an accommodation is not profitable at first, due to the specialization of the asset it has to be retained on a long-term basis. Considering the required authorization and the high capital requirements for setting up a rural lodging, limiting the owners of rural accommodations to the sector of tourism, **the threat of new entry is considered to be moderate.**

Threat of Substitutes

In the Portuguese tourism market, especially in the Algarve, a huge variety of substitutes is available, reaching from regular and theme hotels over beach hotels to golf resorts. Generally speaking, a fierce price competition among existing hotels and accommodations exists, leading to high price elasticity which drives consumers to turn to substitutes. Nevertheless, customers who prefer vacation in rural areas are willing to spend more than the average price which reduces the threat of substitutes tremendously.

Even though the tourism market is characterized by low to zero switching costs due to the huge variety of different accommodations available, the target market of rural tourism is rather specific and therefore does not have to compete directly with urban tourism or popular hotel chains. However, the price-quality ratio among the different rural accommodations is decisive. Consumers always tend to look for included additional offerings which is why the more specials included, the more likely consumers are to book a vacation in this lodging. *Quinta dos I's* tries to differentiate itself by offering customers the opportunity to consume

local products and experience nature. Although the trend is to switch from common hotels to the rural type of tourism, both opportunities offered by *Quinta dos I's* are perfectly feasible even if guests do not stay in the rural cottage. Therefore, the **threat of substitutes is considered to be high** due to the growing number of rural accommodations.

Bargaining Power of Buyers

Today's customers of touristic accommodations are influenced by available reviews from former guests. Getting information through the internet and social networks enables tourists to get a precise first impression of a certain accommodation before booking it. Therefore it is crucial to have favourable reviews in order to attract potential customers. However, the rural tourism market in Portugal may be growing but is still rather small which makes the number of rural accommodations limited. Even though the size of potential guests is large, their only real bargaining power lies in criticizing the lodging online, which can deter other potential guests. Normally, if the reviews do not cast an extremely negative light, there will always be another customer who books the accommodation.

Increasing price sensitivity also plays an important role, but due to the fact that *Quinta dos I's*' target group are people with high purchasing power who are willing to spend a higher price for vacation, the cottage is less affected as long as the quality of the accommodation corresponds to the customers' demands. In total, **the bargaining power of customers is rather low.**

Bargaining Power of Suppliers

The fact that *Quinta dos I's* is a cottage with only eight available rooms, its purchases of groceries and other required materials in general will be rather small in size. This could lead suppliers to increase costs or only offer discounts if the cottage purchases in bulk because

they do not rely on one small cottage. Since the differentiation of products offered by suppliers is rather small and switching costs are non-existent as long as no long-term contracts are established, *Quinta dos I's* can easily purchase the products from alternative suppliers. The only restriction is that *Quinta dos I's* aims at offering local products to their customers which limits alternatives and gives the suppliers more bargaining power. However, the only supplier in the tourism industry able to exercise a significant amount of power is labour and experienced personnel. Even though there is a large supply of labour in the Portuguese market, *Quinta dos I's* aims for a high quality service which makes it difficult to find and employ qualified staff. **Bargaining power of suppliers is therefore seen as moderate.**

4.3 SWOT

Strengths

- Restaurant with local & rural gastronomy
- Room & shuttle service
- Harmonious coexistence between man and nature
- True rustic spirit of the cottage
- Relative isolation from urban city centres
- Situated in the middle of orange & citrus groves

Weaknesses

- Lack of English speaking capability
- Lack of international marketing strategy
- Homepage only accessible in Portuguese
- Relatively unknown cottage due to newness

Opportunities

- Recent trend of a more sustainable, natural and rural way of tourism
- Increasing demand for healthy lifestyles and outdoor activities
- Search for peace and tranquillity
- Economic incentives from the government to stimulate the economy and support entrepreneurial businesses
- Local events and activities
- Good weather conditions throughout the low season

Threats

- Seasonality of customer demand
- Seasonality leads to difficulties in managing the staff
- Increase in competition
- Lack of a comprehensive tourism strategy for Algarve's countryside
- Image of the Algarve as a sun and beach destination
- Rural tourism seen as a luxurious way of vacation
- Increase in tax burden

5. Competitive Analysis

If a business wants to survive and grow, it is of high importance to know the market and its competitors. The following part is going to analyse *Quinta dos I's*' competition and the cottage's competitive advantages. The proper way of finding all competitors' characteristics would be to check detailed "Turismo de Portugal" files and statistics, however, those are not publicly available and therefore not accessible to us. Due to this lack of meaningful information, such as market shares, profits or other relevant market data, this analysis will be based on the English version of booking.com, a website which offers worldwide online accommodation booking (Booking.comTM, 2015a). Bearing in mind the limited amount of information, this analysis cannot fully represent the current market. Nevertheless, we consider this homepage as the most reliable source, offering publicly accessible information which makes a comparison and analysis of *Quinta dos I's*' competitors transparent and comprehensible.

The analysis is divided into three subcategories. First, the local competitors within an area of 190 km² around *Quinta dos I's* and its competitive advantages over them are analysed (Exhibit 1). Second, direct competitors of the rural tourism market in the whole Algarve as well as *Quinta dos I's*' competitive advantages are scrutinized and lastly, the analysis takes a look at the indirect competitors (Exhibit 2). We accessed the competitors' advertisements on booking.com on the 10th and 11th of November 2015, meaning that a later check of our analysis may be problematic due to changes, especially in the price category, of the advertisements. The provided price category represents only the low season and due to the lack of available differentiation in seasonal prices, it does not take into account the prices of the high season. We assume that the price level for the high season increases at the same rate per competitor, therefore the available prices are considered to be a good indication. This

being said, the competitor analysis is a snapshot of the mentioned date and later changes or new potential entrants in the market are not being included in this analysis.

Furthermore, we had to make some adjustments to increase the comparability among the different analysed local and direct competitors:

- *Price per night:* Some properties only showed weekly prices per double room (7 nights) which we break down to the price per night by dividing it by seven.
- *Distance to Faro Airport:* If the distance is not indicated, we will calculate it by using Google maps and measure the route from the airport to the analysed property.
- *Number of rooms:* A few accommodations only mention the total number of people who can sleep in the property. Ensuring the comparability, we therefore divide this number by two as we consider two people per bedroom as reasonable.
- *Distance to the beach:* If the distance is not mentioned in the advertisement, we will calculate it by using Google maps, measuring the distance to the nearest beach.
- *Nearest city:* We decide to only take into account the following cities of Sagres, Lagos, Portimão, Albufeira, Faro and Tavira due to their proximity to the majority of the analysed competitors.
- *Distance to the nearest city:* If the distance is not indicated in the advertisement, we will calculate it by using Google maps and measure the route from the property to the nearest city.

Bearing these adjustments in mind, we start the analysis with the local competitors, followed by the direct competitors and lastly, the indirect competitors.

5.1 Local Competitors

Starting with the analysis of *Quinta dos I's*' local competitors, we had to decide on the radius of competitors which can still be classified as local. As stated before, the Algarve is a very intense tourism region with a large range of possible accommodations to choose from. In

order to create a reasonable area for *Quinta dos I's*' local competitors, we focus on an area of 190km² around *Quinta dos I's*, framed by the streets A22 in the South, N124 in the West and E1 in the East (Booking.comTM, 2015b).

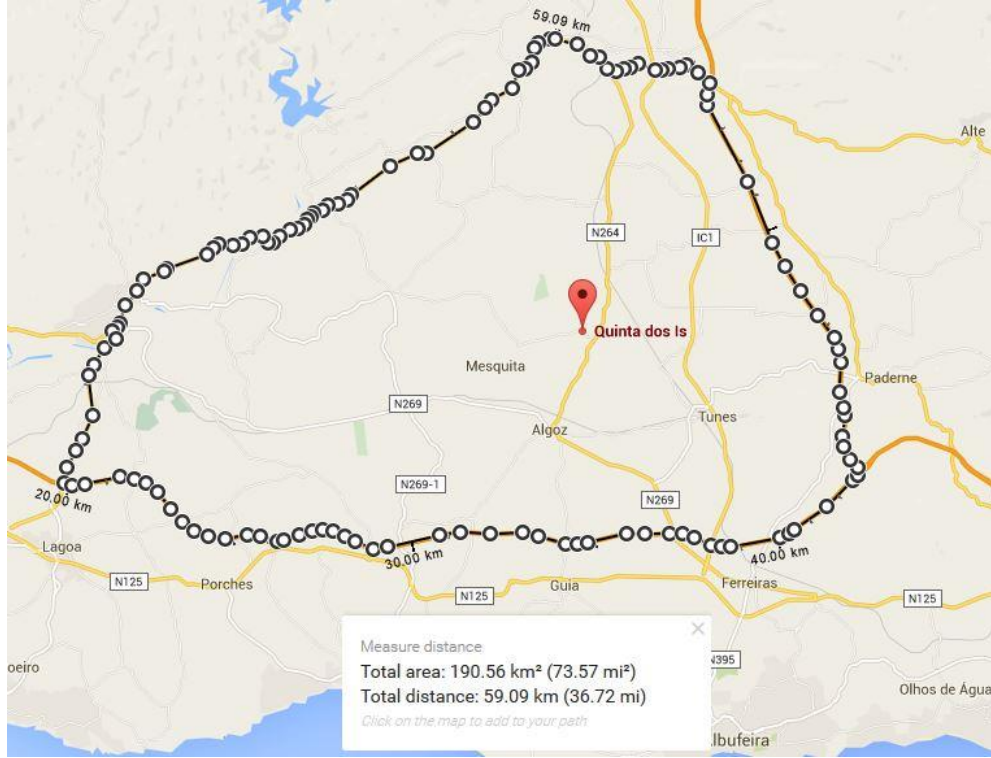


Table 1: Restricted area of the local competition

This restriction limits the number of local properties to 28, including *Quinta dos I's*, which defines a reasonable number. However, two of these competitors are hotels with more than 50 rooms each, whereas the other 26 accommodations only offer twelve or less rooms in total. We therefore exclude the two local hotels from this analysis as they address a whole different clientele (Amendoreira Golf Resort and Hotel Colina Dos Mouros).

Having defined the restricted area of *Quinta dos I's*' local competitors and its total number being 25, we base the analysis on the following features which are assumed to be relevant for potential customers, when choosing an accommodation:

- distance to Faro Airport (in km);
- type of accommodation;

- number of rooms;
- starting price (per night);
- languages spoken by the staff;
- confirmation of the following features:
 - restaurant, pool, room service, balcony / terrace, Wi-Fi, free parking, shuttle service, website available;
- rating (out of 10);
- availability on booking.com since when.

The analysis based on the above mentioned features revealed insightful information which is presented in detail in the following section (Exhibit 1).

Starting with the distance to Faro Airport from each property, the average distance lies at 44 km. Due to the restricted area we chose beforehand all properties are relatively close to the airport, the largest distance being 64 km whereas the shortest distance is 32 km. By being 37 km away, *Quinta dos I's* does not reveal any significant advantage.

Concerning the type of accommodation on booking.com, five out of the 26 properties are classified as country houses, one as a bed & breakfast, one as an apartment, seven as villas and twelve as holiday homes. The average number of rooms of these properties is five while *Quinta dos I's* offers a total of eight rooms. In general, the difference in the number of rooms offered among all competitors is rather small.

With regard to the average price per night of €117 per double room, some significant differences are visible. The lowest price per night is €30 while the highest is €260. *Quinta dos I's*' prices per night start at €80 which lie well below the average price of €117, indicating a clear advantage compared to its local competitors.

Another significant feature analysed are the languages spoken by the properties' staff. Being part of the tourism industry the staff can be expected to speak English in order to serve

international customers. This applies to all 25 local competitors with *Quinta dos I's* being the only exception not speaking English. This indicates a clear disadvantage complicating the attraction of international guests.

Having a restaurant also indicates an advantage because only three of the analysed properties (12%), including *Quinta dos I's*, do have one.

Concerning the features of having a pool and offering free parking, only two properties are without one and only one does not offer free parking. A balcony or terrace belongs to every accommodation which makes these three features rather common.

With regard to the offer of free Wi-Fi, four properties are not providing it at all, whereas *Quinta dos I's* only offers free Wi-Fi in the common areas. However, we assume that guests spend their vacation to relax and to get away from daily routine which makes having constant access to the internet not a decisive factor in choosing an accommodation, merely the possibility of being able to use it at all is important.

The features of offering room and shuttle service only apply to four properties respectively (15%), one of them being *Quinta dos I's*. This indicates a clear advantage compared to the competitors because potential guests always look for as much convenience as possible when being on vacation.

On booking.com the possibility of rating and reviewing the properties where one spends one's vacation exists, giving potential future guests a first impression of the property. Of the 26 accommodations analysed, only eleven already had a rating (42%). The scores were relatively high with an average score of 8.6 (out of 10), with 7.3 being the lowest which does neither indicate the overall popularity nor the total number of guests of the accommodation because not everyone writes a review and rates his stay. Therefore, the ratings have to be considered with care.

Another feature analysed is the date since when the property has been present on booking.com. Only one accommodation has advertised on the webpage since 2009, the others - including *Quinta dos I's* - have been advertising on booking.com since 2013 or later.

Finally, we checked if the competitors have their own webpage. In total, there are nine properties, including *Quinta dos I's*, with their own webpage which offer additional information. This represents an advantage by providing potential customers with a more detailed view of the accommodation.

5.1.1 Competitive Advantages over Local Competitors

The performed local competitor analysis based on the above mentioned features reveals that *Quinta do I's* offers some additional services that only a few local competitors offer as well, thus a competitive advantage of *Quinta dos I's* can be considered.

These competitive advantages are the following:

- *Restaurant: Quinta dos I's* is one of only three accommodations which serves dishes for lunch and dinner and in addition, if ordered in advance, even typical rural dishes can be offered.
- *Room service: Most of Quinta dos I's' local competitors are holiday homes and villas not offering room service, whereas Quinta dos I's stands out as being one of four accommodations providing guests with a daily room service.*
- *Shuttle service: Even though it is a surcharge service, Quinta dos I's is one of four properties providing a special shuttle service. For potential guests, especially foreigners, this is very useful because they do not always like to rent a car and proper public transportation does not exist.*
- *Starting price (per night): The average double room price per night being €117, Quinta dos I's offers rooms for €80 per night which indicates an obvious advantage.*

Concluding, most local competitors of the analysed area provide the same features and therefore do not show considerable differences. In order to compete and establish a successful business, *Quinta dos I's* should focus on serving typical regional dishes and provide at the same time a neat daily room service. These features make the cottage stand out from its local competitors and indicate a successful future.

5.2 Direct Competitors

In order to analyse *Quinta dos I's*' direct competitors in the rural tourism market, we again use booking.com as our source, choosing the Algarve as destination and only take into account the property types "country houses" and "farm stays" (Booking.comTM, 2015a). This restriction limits the total number of properties to 51, including *Quinta dos I's*, concluding that there are 50 direct competitors. Of these 50 accommodations we exclude 11 from the analysis due to being normal villas and not rural tourism destinations, leading to 39 direct competitors. The analysed features are almost identical to the ones mentioned above for our local competitor analysis; merely four changes have been made:

- Type of accommodation: This feature was not analysed again due to our restriction criterion on booking.com.
- Distance to the beach (in km): Being rural tourism destinations, guests primarily want to spend their stay surrounded by nature and outside of urban city centres, but having a beach nearby provides the guests with a welcome change and the properties with a relevant advantage.
- Nearest city: Having one of the above mentioned cities nearby to visit or to spend one's nightlife can be a welcome change as well, providing the properties with a distinctive advantage.
- Distance to the nearest city (in km): If the nearest city is rather close to the property, guests will be more willing to visit it instead of putting up with long driving hours.

Based on the before mentioned and newly added features, the results will be presented in the following (Exhibit 2).

Due to the wider area of taking into account the whole Algarve region, the average distance to Faro Airport increases to around 56 km, with *Quinta dos I's* being 37 km away, signifying a small advantage.

Concerning the distance to the beach, the average is 15 km to the nearest one, while guests at *Quinta dos I's* are 17.5 km away from the closest beach.

Moreover, the average property distance to the nearest city, as defined above, lies at 19 km. *Quinta dos I's* is closest to Albufeira with a distance of 17.5 km, enabling guests to go for a spontaneous visit.

Rural tourism destinations in general are rather small which is underlined by the average number of seven rooms, with *Quinta dos I's* offering eight rooms in total, providing a very familiar environment.

Concerning the average starting price per night per double room, the direct competitors offer nights starting at €68, a significant lower average price than the local competition. With €80 per night, *Quinta dos I's* lies above this average which could indicate a potential disadvantage. However, high quality destinations require a higher price and as mentioned before, we assume that rural tourism guests are willing to pay more for better quality than guests of other tourist destinations, making *Quinta dos I's*' starting prices very reasonable.

The feature of having a restaurant is rather rare with only ten properties (26%) including *Quinta dos I's* owning one, which makes it a distinct advantage.

Of the 39 rural tourism destinations analysed, every one of them provides Wi-Fi (*Quinta dos I's* in the common areas) and 30 properties (77%) have a pool for their guests.

Providing room and shuttle service are a clear advantage among the local competitors, however, with 22 of the direct competitors providing room service (56%) and 19 providing

shuttle service (49%), *Quinta dos I's* is just one property among a larger number offering these comforts.

As mentioned in the local competitor analysis, *Quinta dos I's*' staff does not speak English, making it only one of three properties lacking it, whereas the staff of all the other 36 direct competitors (92%) is able to communicate in English. Furthermore, the staff of 37 competitors, including *Quinta dos I's*', speak at least two or more languages (95%), which indicates that the more languages spoken, the more potential guests can be attracted and it is easier to make them feel welcome by speaking their mother tongue.

With regard to the mentioned dates of accessing the advertisements on booking.com, only five accommodations did not have a rating, *Quinta dos I's* being one of them. The others had an average rating of 9.0 (out of 10), underlining the high quality of rural tourism destinations and the resulting customer satisfaction. Nevertheless, these ratings do not portray the whole market, they are merely a good indication, but it can be pointed out that *Quinta dos I's*' direct competitors are very strong, offering a great accommodation package which satisfies the majority of its guests.

Furthermore, the majority of the competitors use booking.com since 2010 or later with 20 accommodations having joined the website in 2015. Only four competitors started advertising before 2010, the earliest in 2006. As *Quinta dos I's* itself these properties are all rather new on booking.com.

Lastly, 31 of the analysed accommodations provide their own homepage (79%) which seems to be a necessary tool in the rural tourism market to compete and properties without it would lack an important benefit.

5.2.1 Competitive Advantages over Direct Competitors

The performed direct competitor analysis reveals that *Quinta dos I's* provides some features only a few other competitors do as well which gives it the following competitive advantages:

- *Restaurant:* The fact that only 26% of the competitors have a restaurant and the majority of the rural tourism destinations are not located in the city makes it a clear advantage. For potential guests it can be an argument for choosing a place to stay or not.
- *Room Service:* Even though 56% of the direct competitors provide this service, *Quinta dos I's* pays great attention on customer satisfaction and its excellent room service will be recognized by customers.
- *Distance to the airport:* The average distance is around 56 km while *Quinta dos I's* is only 37 km away from the airport and offers a surcharge shuttle service which less than half of the competitors provide as well.

Concluding, most direct competitors in the Algarve provide the same features and do not show significant differences. Compared to the local competitors, and *Quinta dos I's* possessing more competitive advantages, the direct competition is rather homogenous and it is difficult to stand out. In order to compete and establish a successful business, *Quinta dos I's* has to focus on offering excellent meals based on typical regional recipes while performing an outstanding daily room service.

The distance to the airport signifies an advantage due to shorter travelling distances for potential guests. If *Quinta dos I's'* staff starts to speak English and delivers the highest possible performance concerning quality and service, the cottage can keep its competitive advantages and improve its competitive position among the local as well as the direct competitors and the cornerstones for a successful future are set.

5.3 Indirect Competitors

In the whole Algarve there are more than 2500 establishments which means that *Quinta dos I's'* field of action is very small in the Algarve's tourism environment. It is obvious that tourists have plenty of different accommodations to choose from. While *Quinta dos I's* is more focused on rural tourism, the majority of the Algarve tourism destinations are focused

on the coastal area. This means that the majority of the competitors are targeting a different market. Therefore indirect competitors do not play a significant role in *Quinta dos I's*' business activities and a detailed analysis is not part of this work project.

6. Marketing Plan

6.1 Marketing Problems

As *Quinta dos I's* has been a recent business since August 2015, the major problem is the lack of visibility and brand recognition which makes it especially difficult in the Algarve. Concerning Portuguese tourists, the market is very saturated and the challenge is to attract potential guests from foreign countries by raising awareness through attractive offers. Without an English speaking staff *Quinta dos I's*' major problem remains which needs to be solved as soon as possible.

Regarding the distribution channels, at first *Quinta dos I's* was only available through their own website, making it nearly impossible for potential guests who are not familiar with the website to find the accommodation online. Although this issue has slowly been taking care of, *Quinta dos I's* now being available among others on booking.com and expedia.com, there is still a wide range of other online booking channels which *Quinta dos I's* does not cover yet.

However, not being present on other websites is not the only problem, cooperation with travel agencies are lacking as well. Looking at the high competition of similar tourist destinations in the Algarve, it is required to be present on multiple channels, offering as much information about the cottage as possible.

Furthermore, especially during the low season, it is challenging to achieve a satisfactory occupancy rate which demands a different strategy by offering special promotions. *Quinta dos I's* is lacking a low season approach which could attract a different type of clientele.

6.2 Marketing Objectives

In order to solve the marketing problems, namely to increase its brand awareness and to start attracting customers during the low season, the following objectives are proposed for *Quinta dos I's*:

- **Expansion:** Increasing the volume of sales and achieving an overall occupation rate of 60% in five years by especially attracting guests from the top five countries which contribute most to the Portuguese tourism market – Germany, France, Spain, the Netherlands and the United Kingdom – can lead to an expansion. Many tourists from these countries are not aware of *Quinta dos I's*' existence, that is why a clear placement and promotion strategy has to be defined to satisfy potential customers' needs and wants.
- **Viable low season strategy:** One of the major challenges for touristic destinations is to overcome and find solutions for the low demand during the low season. In order to do so, *Quinta dos I's* is going to focus on retirees who look forward to spend the cold winter months in warmer areas, with Portugal being one of the best and affordable places to retire worldwide (International Living, 2015 & U.S. News, 2015). *Quinta dos I's* wants to offer special promotions, enabling retirees to stay for a few weeks or more than a month during autumn and winter. The objective here is to achieve an occupation rate of 45% in 2020.

6.3 Marketing Strategy

Market Segmentation

In order to successfully solve the problems *Quinta dos I's* is currently facing, it is fundamental to clearly define the market segmentation which the accommodation can efficiently serve, being essential for the future success of *Quinta dos I's*. Due to resources, time, money and effort restrictions *Quinta dos I's* would never be able to cover the entire market for tourism because the customers who compose this market have different

aspirations, desires and necessities. Therefore it should focus its attention on customer groups that are accessible and have needs that *Quinta dos I's* is able to fulfil.

In order to elaborate a clear market segmentation it is necessary to thoroughly analyse the potential tourists in Portugal by dividing the customers into different groups regarding demographics (nationality, age, sex, marital status and occupation), psychographics (lifestyle and personality traits) and behavioural variables (patterns of consumption and feelings triggered by the usage of the product).

Taking into account the above mentioned analysis, the following segments are defined:

- **“The Twenties“:** This group consists of people between 20 and 30 years who are single or young couples and still able to balance their professional and social life, usually looking for a romantic getaway or a partying weekend. Their purchasing power is still low to medium but they prefer spending their incomes on things which satisfy their needs. They mainly want to focus on enjoying their lives and therefore do not primarily care about rural products or the rural experience itself. They often try to meet new challenges and gain different experiences which makes retaining these customers rather difficult.
- **Families:** Consisting of people who are usually between 30 and 55 years with children, their focus lies on making the most of their holidays. Either Portuguese or foreign, these families have high purchasing power and want to spend a relaxing vacation as well as show their children the local environment. They have a more refined taste and appreciate rural meals and traditions. In general these people have a well-structured life and therefore, having a good time during their holidays, are more willing to return a second time.
- **Retirees:** People from 65 years upwards who are already retired, married or single and sometimes travelling in groups are mostly foreign, travel for longer periods of time and are the ones who are very interested in the rural experience. This segment values quality

and has the necessary purchasing power. They also prefer the cosiness of eating at home compared to the adventure of constantly looking for a new restaurant. In addition, they take their friends and acquaintances' opinions into great consideration when booking an accommodation, relying on previous experiences and thus an unforgettable stay can create long-term customers as well as future clients.

Target Audience

After the identification of the market segments, the most promising target groups have to be chosen for *Quinta dos I's*. In order to reach the marketing objectives, *Quinta dos I's* should focus its positioning on two specific groups: families with children who will be the main target group during the high season and on retirees as the main customers during the low season. The following reasons support this decision: First, families with children mainly decide to spend their vacation in destinations which offer several different opportunities of activities. The cottage provides a pool, is settled in the middle of orange and citrus groves which gives families the possibility to go for a walk and is close to a larger city for a cultural visit.

Second, especially retirees are travelling during the low season due to their flexibility as well as to get away from the cold winter months and moreover, destinations are less crowded than during the high season which makes it more relaxing. *Quinta dos I's* should focus on Scandinavian retirees who make up around 20% of their countries' total population (Eurostat, 2015) and have relatively high income levels (OECD, 2013).

Positioning

- Frame of reference: *Quinta dos I's* is a rural cottage which competes in the rural tourism market, satisfying people's needs by providing a relaxing environment.

- Emotional benefits: It creates a relaxing and peaceful atmosphere to let go of everyday routine.
- Functional benefits: It enables guests to be part of the surrounding nature and get in contact with local traditions.
- Point of difference: *Quinta dos I's* provides an excellent customer service and makes guests feel very much at home.

After having set the objectives, the definition of *Quinta dos I's*' target audience and the aforementioned attributes, the positioning statement is the following:

“Quinta dos I's is a rural cottage providing a high quality stay in perfect harmony with the environment combined with an excellent customer service for families with children as well as retirees who look for a relaxing and peaceful atmosphere to let go of everyday life.”

6.4 Marketing Mix

Product

Being a rural tourism destination, *Quinta dos I's*' main service is to provide a great stay and an excellent service to make guests feel welcome at the cottage. In order to meet the needs of the selected segments and to stand out from its competitors there are some characteristics that *Quinta dos I's* has to improve or add.

When compared with other rural tourism destinations, *Quinta dos I's* stands out by providing a restaurant. Although it serves lunches and dinners, guests have to order them in advance, either directly with the reservation or during the stay. This means that if a customer decides at the last minute to stay in the cottage to have dinner, it is not possible. Therefore, we propose as a first improvement that *Quinta dos I's* should have a high quality restaurant service fully

available. Especially during the low season this can be a prominent advantage in order to attract retirees who like to spend time at the property and do not go out for dinner.

Two other features that *Quinta dos I's* offers and should maintain are an excellent room service and a shuttle service on a surcharge basis. Since the majority of potential tourists are foreign they either have to rent a car or take a taxi to get to the property. If they only stay for a short period of time renting a car may not be an option which makes the offered shuttle service very attractive.

The major characteristic that *Quinta dos I's* does not offer but which is indispensable is the ability to speak English as 92% of the direct competitors are capable of speaking it. Since *Quinta dos I's* aims to capture clients from all over Europe, English is a prerequisite to achieve that goal. Thus, we recommend *Quinta dos I's* to hire an English speaking employee or to provide language courses for the whole property staff.

Price

The pricing of nights at *Quinta dos I's* has to take into account the following factors: the average prices of the competitors, the incurring costs and the perceived value of the property by guests. Due to the fact that the cottage is relatively new in the market and has not achieved any significant brand awareness yet, the initial starting prices per night have to be justifiable. According to the performed competitive analysis, the average starting price during the low season of a double room per night of the local competitors lies at €117, whereas for the direct competitors prices start at €68.

Taking these facts into account, *Quinta dos I's* conducts a competition based pricing strategy as displayed in the following table:

Seasons	High Season 01 Jun - 14 Sept	Low Season 15 Sept - 30 May
Single Room	€ 100	€ 70
Double Room	€ 130	€ 80
Double Suite	€ 160	€ 120
Triple Suite	€ 170	€ 135
Family Suite	€ 190	€ 145
Half Board	€ 20	
Full Board	€ 35	

Table 2: Price list of *Quinta dos I's*

During the high season from 1st June to 14th September, the price per night for a single room will be €100 whereas a family suite can be booked for €190. The main target audience during this season, as mentioned above, are families with children possessing a high purchasing power which makes the charged price reasonable.

During the low season from 15th September to 30th May, a single room is available for €70 and a double room for €80. Compared to the high season, the prices drop significantly making it affordable for retirees as the main target audience who are more likely to spend a few weeks or longer periods at *Quinta dos I's*. Given the high quality and excellent service, *Quinta dos I's* will change its strategy in the second year of activity to a value-based pricing strategy, meaning that the prices for the high season as well as the low season are going to further increase then.

Placement

In the touristic sector it is of high importance to be present in as many different locations as possible to advertise the accommodation appropriately while simultaneously paying attention to the values of the distributor which have to be in alignment with the ones of *Quinta dos I's*. Nowadays, online marketing channels are widely used and accessed by potential customers, that is why *Quinta dos I's* has to focus on online advertising. In order to attract retirees for the

low season who are often less familiar with accessing the internet, an offline placement strategy has to be implemented as well. Considering these points, the following distribution channels are going to be used by the cottage:

- **Own Homepage:** *Quinta dos I's* has its own website (Quinta dos I's, 2015) which provides all the necessary information about the accommodation itself, the location, special offers, the services provided, a picture gallery and offers the lowest possible pricing. Updates are going to happen regularly and inform potential guests in detail about the cottage.
- **Online Booking Websites:** *Quinta dos I's* is already present on booking.com, expedia.com and kayak.com, three of the most well-known and popular booking sites worldwide. Moreover, it offers the property on Airbnb.com, a web page which is steadily increasing its popularity. Nevertheless *Quinta dos I's* is not yet advertising on trivago.com and tripadvisor.com, two websites which are steadily increasing its presence, the second one being famous for its detailed reviews. This potential has to be used by *Quinta dos I's* to further increase its brand awareness throughout Europe.
- **International Travel Agencies in Scandinavia:** In order to attract retirees for the low season, *Quinta dos I's* has to focus its advertising efforts on offline marketing by cooperating with international travel agencies who promote in Denmark, Sweden, Finland and Norway. These agencies can give detailed information to interested retirees who do not use the internet to book their holidays.

Promotion

Quinta dos I's focuses on relationship marketing in order to increase the customers' willingness to stay at the cottage. Online tactics of the promotion strategy are composed of the following actions: Already being present on social networking sites like Facebook where

customers can keep informed about *Quinta dos I's*, it should post regular status updates about the cottage, special offers and promotions as well as pictures to give potential guests a clear overview of what is happening and make them feel included. This can lead to an interactive exchange between *Quinta dos I's* and the people who follow its Facebook page. Moreover, an Instagram account should be created which uploads regular impressions of the cottage to stay in people's minds and increases the visibility of the business. On the cottage's own website, short articles about the region, rural trends or any other interesting news should be published to provide customers with a variety of information. Furthermore, *Quinta dos I's* will make use of Google search engine optimization through keywords like rural cottage, rural tourism, Algarve holidays and family friendly holidays. These online tactics will guarantee that the target group of families with children will be attracted more easily.

Concerning the offline tactics, *Quinta dos I's* will promote the cottage by providing fliers and brochures to the international travel agencies in Scandinavia. Retirees looking for a holiday retreat during the low season can be informed and attracted accordingly.

Word-of-mouth promotion is another tactic because by providing an outstanding stay and an excellent service, the cottage can rely on a strong customer relationship marketing in the future. Satisfied guests, especially retirees who pay a great deal of attention to experiences from previous customers will recommend the cottage to friends and families, thus attracting new potential customers.

In order to attract customers, special offers are seen as a crucial success factor and will be made regularly. These promotions will be posted on the homepage and on the Facebook page.

The following special offers will be made:

- Family package: During the high season, families with one or more children will be offered a 10% discount for a minimum stay of 6 nights, including a guided tour through the orange and citrus groves.

- Low season package: This offer includes a 15% discount for the accommodation with a minimum stay of 6 nights during the low season, a 20% discount for a minimum stay of 10 nights and a 30% discount for a minimum stay of at least 13 nights. In addition, for every 6 nights spend at *Quinta dos I's*, guests will receive a free dinner.

With the mentioned online and offline promotion tactics high visibility of *Quinta dos I's* will be guaranteed. Continuous efforts of the property's staff to maintain and improve its excellent quality and outstanding customer service will assure an increasing popularity of the cottage, attracting a wide range of customers in the future.

7. Financial Plan

In order to evaluate the whole business plan and examine if *Quinta dos I's* is going to be profitable, a financial analysis is performed. Due to the fact that the cottage is a rather new business the milestone of *Quinta dos I's* is to make profits after the second year of operation.

The analysis starts in 2013 when *Quinta dos I's*' initial investment took place to transform the house into a cottage for guests. The owner Carla Neves has provided us with the data of 2013 and 2014, meaning these years present real facts. Next a future outlook takes place and the years 2015 to 2020, a period of six years, are analysed. These evaluations seek to determine the overall viability of *Quinta dos I's* and its financial situation.

Based on Carla Neves' received data, the following facts are given:

- The initial investment was €299,498 in 2013.
- *Quinta dos I's* received a government subsidy of €179,699 in 2013, of which 75% are used in the first year and 25% in the second year.
- The high season of operations takes place from 1st June to 14th September and the low season from 15th September to 30th May.

- *Quinta dos I's* is closed from 4th January to 15th February, making it a total of 322 days of operation per year.
- The variable and fixed costs of the external services increase with the inflation rate which we adjusted accordingly (Statista, 2015b).

Moreover, in order to clearly evaluate *Quinta dos I's*' financial situation and success in the rural tourism market, a few assumptions are made, the following being the most important ones:

- In the first year of business (2015), an overall occupation rate of 30% with 63% during the high season and 20% during the low season is expected. This rate will increase by 15% annually until the overall occupation reaches 60% in 2020, with 88% during the high season and 46% during the low season.
- In accordance with the offered discounts of the marketing promotions, the average total discount is 7.5% during the high season and 18.5% during the low season.
- The average prices per night, taking into account the discounts, are €138.75 during the high season and €89.65 during the low season. Both increase by 2% yearly.

7.1 Financial Highlights

Bearing these stated facts and made assumptions in mind a detailed analysis was performed, revealing the following financial highlights:

- *Quinta dos I's* is having a loss of earnings in 2013.
- Even though no sales were generated in 2014, due to the subsidy which is used in 2014 and 2015, the cottage is generating profits.
- Profits increase from €24,010 in 2015, with a slight decrease in 2016 due to the ceasing subsidy, to €102,600 in 2020, representing an increase of more than 300%.
- The business is exceeding its objective of being profitable in the 3rd year of operations, by being profitable after the 1st year (Exhibit 3).

- In the first two years of setting up the business, *Quinta dos I's* has a negative cash flow due to the fixed costs of the initial investment.
- In 2015, the first year of operation, the cash flow is positive.
- Looking at the accumulated cash flow it can be seen that it will only generate a positive cash flow in 2018, three years after the start of operation (Exhibit 4).

7.2 Financial Ratios

In order to better understand the viability and the margins of the cottage, it is essential to look at the different financial ratios. Therefore the following four types of ratios have been calculated: liquidity, leverage, activity and profitability (Exhibit 6).

Liquidity ratios are used to measure a firm's ability to meet its current obligations as they come due. The most important liquidity ratio is the "current ratio" which measures a company's ability to pay its current liabilities with its current assets. In 2015, *Quinta dos I's* has a ratio of 4 (7.5 in 2020), meaning that it has 4 times more current assets than current liabilities (Exhibit 5), enabling them to pay off current liabilities when they mature without having to sell long-term, revenue generating assets.

As a leverage ratio the "debt-to-assets ratio" is used, measuring the extent to which the cottage is using debt financing (financial leverage) and the degree of safety afforded to clients. In 2015, the cottage has a ratio of 0.34 which decreases to 0.15 in 2020. This means that *Quinta dos I's* uses a rather low level of debt financing leading to a low level of financial risk.

In order to see how efficiently the cottage is managing its assets, the "asset turnover" activity ratio is used and the results show that after the improvement from 0.13 in 2015 to 0.35 in 2016 the cottage will maintain a constant value of around 0.37.

Lastly, the profitability ratios "return on sales" and "return on assets" are calculated to measure the management's effectiveness as shown by the returns generated on sales and the

investment. They indicate combined effects of liquidity, asset management and debt management on operating results. By looking at the returns throughout the years, it is evident that the profit margin per Euro of sales and assets is increasing, stating that *Quinta dos I's* will grow more efficiently and more profitably.

7.3 Scenario Analysis

Taking into account different future outcomes of the financial situation, two scenarios are simulated as a precautionary measure. First, a pessimistic scenario with an occupation rate decrease of 30% and second, a worst case scenario with an occupation rate decrease of 30% as well as an increase of 20% for the costs of goods sold and the external services are analyzed (Exhibit 7).

The first scenario shows that 2016 would be the only year in which *Quinta dos I's* does not generate earnings, in all other years of operation it would still be making profits. The cumulative result in 2020 would be €190,000 less than in the regular scenario.

The second scenario demonstrates the same result with a loss of earnings only in 2016. In all the other years, *Quinta dos I's* would still earn a profit. Even though the costs will increase by 20%, due to the dependence on the decreasing earnings, the costs will be only slightly higher than in the regular scenario. This leads to an accumulated loss of about €205,000 in 2020, compared to the regular scenario.

An optimistic scenario was not simulated because *Quinta dos I's* already earns profits in the first year of operation and the company's financial viability is strong even in a pessimistic or worst case scenario.

Conclusions & Recommendations

The purpose of this business plan was to determine if *Quinta dos I's* will be a profitable business after the first five years of operation. In the process of analysing the cottage's objective, the following conclusions and recommendations are made.

In the rural tourism sector, the number of country houses increased from 33% in 2009 to 60% in 2013, with the Algarve being the main contributor to this development. While Portuguese tourists account for two-thirds of the rural tourism guests, the foreign countries that contribute the most in number of guests are Germany, France, Spain, the Netherlands and the United Kingdom.

Although competition in the tourism sector in the Algarve is very fierce, the rural tourism sector is a growing and highly fragmented market with a slowly increasing number of competitors. Since there are no switching costs and every business tries to differentiate itself through unique and distinctive offers, it can be said that the internal rivalry is moderate.

Despite the fact that it is not necessary to have neither a patent nor proprietary know-how to establish a rural accommodation, high capital requirements are a burden which makes the threat of new entrants moderate.

Considering the fact that in the Algarve many forms of tourism offers are available and many tourists return every year, the threat of substitutes is considered to be high while the bargaining power of buyers is low.

Lastly, as *Quinta dos I's* is a small business and no switching costs among suppliers exist (as long as no contracts are established), the bargaining power of suppliers is considered to be moderate.

Regarding local as well as direct competitors, *Quinta dos I's* should focus on serving typical regional dishes while simultaneously providing an outstanding daily room service and

keeping its shuttle service. Moreover, if *Quinta dos I's* wants to be a successful and viable business in the future its staff must be trained in speaking the English language.

In order to overcome the low season demand and at the same time increase the overall occupation rate, two different strategies for the low and high season should be adopted: For the high season, families, either Portuguese or foreigners of 30 years or older are the main target group. Online promotion is the major channel to reach them, either by the promotion of *Quinta dos I's*' own webpage or by online booking websites. For the low season, the target audience are mainly Scandinavian retirees who look for longer duration stays. In order to attract them an offline promotion in travel agencies in the Scandinavian countries as well as the offer of discounts depending on the number of nights should be made to create incentives for long vacations.

Lastly, to evaluate the viability of this project, a thorough financial analysis was performed. Taking the two marketing strategies for each season into account and bearing in mind that a considerable subsidy was provided by the Portuguese state, *Quinta dos I's* has positive earnings of around €25,000 in the first year of operation, increasing by more than 300% until 2020. In terms of financial ratios, which underline the cottage's positive situation, a "current ratio" of 4 in the first year shows that *Quinta dos I's* will not have to sell long term assets to pay current liabilities. *Quinta dos I's* uses low levels of debt, with a 0.15 "debt-to-assets ratio" in 2020, and lastly, the profitability ratios point out an increasing efficiency and profitable growth over the years.

In the end it is up to *Quinta dos I's* itself to make use of the drawn conclusions and given recommendations. This work project is merely a guideline and represents, if not stated otherwise, our personal opinion. Furthermore, *Quinta dos I's* may have to focus on more or other target groups with the recommended ones seen as the most promising.

Concluding, *Quinta dos I's* is an excellent business exceeding its objective of being profitable within the first five years of operation due to a granted subsidy and strong sales throughout the years. Even in a worst case scenario of declining occupation and increasing costs, the cottage would still be profitable and the foundations for a successful future are laid.

Appendix

Exhibit 1: Local Competitor Analysis

Property Name	Distance to Faro Airport (in km)	Type of accommodation	# of Rooms	Price starts at (per night)	Restaurant	Pool	Room Service	Balcony / Terrace	Wi-Fi	Language s spoken	Free Parking	Shuttle Service	Ratings	On booking.com since	Website Link	Bookin.com Link
Quinta dos I's	37	Country House	8	80	Yes	Yes	Yes	Yes	Yes	PT, ESP	Yes	Yes (surcharge)	Not yet	24th Sep 2015	http://quin	http://www.bo
Casa Laura	39	Holiday Home	1	121	No	Yes	No	Yes	Yes	PT, ENG	Yes	No	Not yet	26th Mar 2015		http://www.bo
Quinta do Lamijo	48	Country House	8	40	No	Yes	No	Yes	Yes	PT, ENG, FR	Yes	No	9 / 10	24th Oct 2013	http://www	http://www.bo
Quinta da Mesquita	47	Country House	8	47	No	Yes	No	Yes	Yes	PT, ENG, ESP	Yes	No	8.8 / 10	14th Dec 2009	http://www	http://www.bo
Vila Messines	36	Holiday Home	3	56	No	Yes	No	Yes	Yes	PT, ENG, ESP	Yes	Yes (surcharge)	Not yet	17th Dec 2014		http://www.bo
Quinta Vale da Vila	62	Holiday Home	6	154	No	Yes	No	Yes	Yes	PT, ENG, Dut	Yes	No	Not yet	5th Mar 2014	http://www	http://www.bo
Wooden lodge Vale da Vila	45	Country House	2	72	No	No	No	Yes	Yes	PT, ENG	Yes	No	Not yet	25th Feb 2015		http://www.bo
Casa do Serro	45	Bed & Breakfast	1	120	Yes	Yes	Yes	Yes	Yes	PT, ENG	Yes	No	9.8 / 10	15th Apr 2015	http://www	http://www.bo
Villa Emily	45	Villa	4	63	No	Yes	No	Yes	No	PT, ENG, ESP	No	No	8.7 / 10	14th Jul 2014		http://www.bo
Quinta da Palmeirinha 1	45	Country House	5	63	No	Yes	No	Yes	Yes	PT, ENG	Yes	No	Not yet	16th Jun 2015		http://www.bo
Casa Patrícia	31	Apartment	3	150	No	No	No	Yes	No	PT, ENG	Yes	No	7.3 / 10	25th Jun 2015		http://www.bo
Vila Luz	50	Holiday Home	9	121	No	Yes	No	Yes	Yes	PT, ENG, ESP	Yes	No	Not yet	18th Sep 2013	http://www	http://www.bo
Villa Akisol Albufeira Sky IV	32	Villa	4	165	No	Yes	No	Yes	No	PT, ENG, ESP	Yes	No	Not yet	13th Aug 2015	http://www	http://www.bo
Quinta da Lameira	52	Holiday Home	2	150	No	Yes	No	Yes	Yes	PT, ENG	Yes	No	7.8 / 10	14th Mar 2014		http://www.bo
Villa Vivenda Ferreiras	35	Villa	5	194	No	Yes	No	Yes	Yes	PT, ENG	Yes	No	Not yet	18th Jul 2013		http://www.bo
Vila Odysseus	47	Holiday Home	1	60	No	Yes	No	Yes	Yes	PT, ENG, ESP	Yes	No	9.2 / 10	4th Dec 2013		http://www.bo
Quinta de Sao José	36	Villa	5	179	No	Yes	No	Yes	No	PT, ENG	Yes	No	Not yet	6th Sep 2013		http://www.bo
Villa Savalei	46	Holiday Home	2	105	No	Yes	No	Yes	Yes	PT, ENG, FR	Yes	Yes (surcharge)	8.9 / 10	24th Jan 2014		http://www.bo
Casa Volta	36	Holiday Home	2	62	No	Yes	No	Yes	Yes	PT, ENG, FR	Yes	No	Not yet	8th May 2014		http://www.bo
House Alister	35	Holiday Home	2	193	No	Yes	No	Yes	Yes	PT, ENG, FR	Yes	No	Not yet	26th Mar 2015		http://www.bo
Vila da Mesa	44	Holiday Home	2	50	No	Yes	No	Yes	Yes	PT, ENG	Yes	No	9.7 / 10	18th Jul 2013		http://www.bo
Amendoreira Golf Resort Villas	52	Villas	5	260	Yes	Yes	Yes	Yes	Yes	PT, ENG, ESP	Yes	Yes (surcharge)	8.4 / 10	5th Jun 2014	http://www	http://www.bo
Residencial Vila Sodre	62	Villa	12	30	No	Yes	Yes	Yes	Yes	PT, ENG, FR	Yes	No	7.3 / 10	3rd Feb 2014	http://www	http://www.bo
Holiday home P-8336	39	Holiday Home	6	154	No	Yes	No	Yes	Yes	PT, ENG, GER	Yes	No	Not yet	26th Jun 2014		http://www.bo
Holiday home Pera	36	Holiday Home	9	197	No	Yes	No	Yes	Yes	PT, ENG, GER	Yes	No	Not yet	15th Jan 2015		http://www.bo
Villa Santa Barbara	64	Villa	9	165	No	Yes	No	Yes	Yes	PT, ENG, ESP	Yes	No	Not yet	17th Jun 2014		http://www.bo
AVERAGE	44		5	117									8,6			

Exhibit 2: Direct Competitor Analysis

Property Name	Distance to Faro airport (in km)	Distance to the beach	Nearest city	Distance to the nearest city (in km)	# of Rooms	Price starts at	Restaurant	Pool	Room Service	Wi-Fi	Languages spoken	Shuttle Service	Ratings	On booking.com since	Website Link	Booking.com Link
Quinta dos I's	37	17,5	Albufeira	17,5	8	80	Yes	Yes	Yes	Yes	PT, ESP	Yes (surcharge)	Not yet	24th Sep 2015	http://qui	http://www.boo
Quinta do Mel	27,6	1,8	Albufeira	9	10	60	Yes	Yes	Yes	Yes	PT, ENG	Yes (surcharge)	9,4	2nd Oct 2007	http://ww	http://www.boo
Casa de Cacela	50	3	Tavira	11,3	10	70	No	Yes	Yes	Yes	PT, ENG	NO	9,0	31st Jan 2013	http://ww	http://www.boo
Monte da Bravura Green Resort	82,3	11	Lagos	11	12	80	No	Yes	Yes	Yes	PT, ENG, ESP	NO	9,3	9th Nov 2009	http://ww	http://www.boo
Casa Modesta	20	3	Faro	15	8	70	Yes	Yes	Yes	Yes	PT, ENG, ESP	Yes (surcharge)	9,1	9th Mar 2015	http://ww	http://www.boo
Quinta do Caracol	39,9	1,5	Tavira	3,4	9	50	No	Yes	Yes	Yes	PT, ENG, ESP	Yes (surcharge)	8,9	26th Aug 2006	http://ww	http://www.boo
Fazenda Nova Country House	34	15	Tavira	14,3	10	195	Yes	Yes	Yes	Yes	PT, ENG, ESP	No	9,3	13th Mar 2015	http://ww	http://www.boo
Quinta dos Tesouros	18	22	Faro	20	10	43	No	Yes	Yes	Yes	PT, ENG, ESP	No	9,1	25th Mar 2015	http://ww	http://www.boo
Herdade dos Frades	90	3,5	Lagos	2,5	6	80	No	Yes	No	Yes	PT, ENG, GER	Yes (surcharge)	9,4	3rd Sep 2010	http://ww	http://www.boo
Monte Oliva	37	6	Tavira	5	7	55	No	No	No	Yes	PT, ENG	Yes (surcharge)	8,5	17th Jul 2015	http://ww	http://www.boo
Almargem Lusitano	43	7	Tavira	5	9	41	No	Yes	No	Yes	PT, ENG, ESP	Yes (surcharge)	8,4	1st Jul 2011	http://ww	http://www.boo
Solar da Campina	33	5,2	Tavira	10	4	80	No	Yes	Yes	Yes	PT, ENG, ESP	Yes (surcharge)	9,5	8th Jan 2013	http://ww	http://www.boo
Quinta da Palmeirinha 1	45	12,4	Portimão	10,3	5	62,8571	No	Yes	No	Yes	PT, ENG	No	Not yet	16th Jun 2015		http://www.boo
Casa Alva	109	12,4	Lagos	34	4	65	No	No	Yes	Yes	PT, ENG, ESP	Yes (surcharge)	9,2	16th Aug 2015		http://www.boo
Vinha do Gaio	84,9	25	Portimão	24	6	75	No	No	Yes	Yes	PT, ENG, ESP	Yes (surcharge)	9,5	17th Jul 2015	http://ww	http://www.boo
Pensão Agrícola	47,4	5,2	Tavira	7,3	6	130	No	Yes	Yes	Yes	PT, ENG, ESP	Yes (surcharge)	9,8	18th Jun 2015	http://ww	http://www.boo
Welcome Wisdom	26,4	22	Albufeira	27	10	50	No	Yes	No	Yes	PT, ENG, FR	Yes (surcharge)	8,2	23rd Jul 2015	http://ww	http://www.boo
Conversas de Alpendre	49,7	11	Tavira	9,5	6	150	No	Yes	Yes	Yes	PT, ENG, ESP	Yes (surcharge)	9,5	12th Apr 2013	http://ww	http://www.boo
Casa de Campo Cantinho da Serra	35,2	36	Faro	33	9	26	Yes	Yes	Yes	Yes	PT, ENG, FR	No	8,9	7th Jul 2015	http://ww	http://www.boo
Herdade da Corte	35	16	Tavira	14,7	12	47	No	Yes	Yes	Yes	PT, ENG, ESP	Yes (surcharge)	8,5	23rd Apr 2013	http://ww	http://www.boo
Monte de Santo Antonio	112	3,7	Sagres	10,5	5	45	No	No	No	Yes	PT, ENG	No	7,8	23rd Apr 2012	http://ww	http://www.boo
Quinta Tapada do Gramacho	62	11,4	Portimao	10,7	6	75	No	Yes	No	Yes	PT, ENG, GER	No	9,2	13th Dec 2007	http://ww	http://www.boo
Country House Miranda	2	12	Faro	3,4	3	100	No	Yes	No	Yes	PT, ENG	No	Not yet	21st Aug 2015		http://www.boo
Espargosa Monte de Baixo	61,1	6	Tavira	20	8	60	No	Yes	Yes	Yes	PT, ENG, ESP	Yes (surcharge)	7,9	30th Jun 2015		http://www.boo
Villa Bora-Bora	46,6	5,8	Albufeira	18,3	8	60	Yes	Yes	No	Yes	PT, ENG	No	8,3	28th Jun 2011	http://ww	http://www.boo
Hotel Rural Quinta Das Barradas	78,9	7,8	Lagos	8,3	17	75	Yes	Yes	Yes	Yes	PT, ENG, ESP	Yes (surcharge)	7,4	1st Oct 2010	http://ww	http://www.boo
My Room - Villa Vina	78,7	22,4	Portimão	19,3	5	55	No	No	No	Yes	PT, ENG, ESP	No	8,7	7th Mar 2014	http://ww	http://www.boo
Casa da Tita	34,8	26	Albufeira	30	5	45	No	Yes	Yes	Yes	PT, ENG, ESP	No	9,1	30th Jul 2015	http://cas	http://www.boo
Casa D'alvada	38,4	27,4	Albufeira	30,9	10	54	No	Yes	No	Yes	PT, ENG, ESP	No	8,3	12th Mar 2014		http://www.boo
Quinta da Idalina	80,1	23	Portimão	20,7	12	70	No	Yes	Yes	Yes	PT, ENG	No	8,9	22nd Jul 2015	http://ww	http://www.boo
Casas do Palheiro Velho	64,4	12,9	Tavira	27,1	5	45	No	Yes	No	Yes	PT, ESP, FR	No	8,6	13th Mar 2013	http://ww	http://www.boo
Herdade dos Salgados do Fialho	9,3	12,1	Faro	5,3	5	40	No	Yes	No	Yes	PT, ENG, ESP	No	8,1	10th Apr 2015	http://ww	http://www.boo
Recanto da Ribeira Casas De Campo	107	20,4	Portimão	40,4	4	90	No	No	No	Yes		No	6,8	4th Jul 2015		http://www.boo
Quinta do Tempo	81,9	24,8	Portimão	22,4	3	70	No	No	No	Yes	PT, ENG	No	9,1	13th Jul 2015	http://ww	http://www.boo
Quinta Monte da Rocha	25,7	21,7	Faro	29,2	8	35	Yes	No	No	Yes		No	8,2	7th Nov 2012	http://ww	http://www.boo
Monte dos Avós	26,6	23,7	Faro	27,1	7	41	No	Yes	No	Yes	PT, ENG, FR, G	Yes (surcharge)	9,4	6th Mar 2015	http://mo	http://www.boo
Casa Jaede	86,9	30,5	Portimão	29,7	5	88	No	Yes	Yes	Yes	PT, ENG, FR, G	Yes (surcharge)	8,9	29th May 2012	http://ww	http://www.boo
Paisagem do Guadiana	81,5	30	Tavira	43,3	12	55	Yes	Yes	Yes	Yes	PT, ENG	No	Not yet	5th Sep 2015		http://www.boo
Horta do Zé Miguel	96,1	28,3	Portimao	27,5	7	40	Yes	Yes	Yes	Yes	PT, ENG, ESP	Yes (surcharge)	9,3	22nd Aug 2015	http://ww	http://www.boo
Casa do Milhano	115	0,5	Lagos	40,5	1	60	No	No	No	Yes	PT, ENG	No	Not yet	4th May 2015		http://www.boo
AVERAGE	56	15		19	7	68	10	30	22		36 (ENG)	19	9,0			

Exhibit 3: Income Statement

Income Statement	2013	2014	2015	2016	2017	2018	2019	2020
Total Sales	-	-	49.642	140.333	162.348	187.395	216.707	250.450
Subsidy	-	134.774	44.925	-	-	-	-	-
COGS	-	-	6.870	16.176	18.917	22.192	25.934	30.277
External Services	2.020	12.446	11.284	30.487	30.935	31.427	31.971	32.514
Personal Expenses	4.491	10.504	16.477	38.945	38.945	39.724	40.519	41.329
EBITDA	- 6.511	111.824	59.936	54.725	73.550	94.052	118.284	146.329
Depreciation & Amortization	752	23.560	23.560	23.560	17.107	10.586	10.586	10.586
EBIT	- 7.263	88.264	36.376	31.165	56.443	83.466	107.698	135.743
Interests Received	935	557	1.574	1.713	2.125	2.617	3.533	3.646
Interests Paid	1.617	6.470	5.823	5.176	4.529	3.882	3.235	2.588
EBT	- 7.945	82.351	32.127	27.702	54.039	82.201	107.996	136.801
Tax	-	18.602	8.032	6.925	13.510	20.550	26.999	34.200
Earnings of the Period	- 7.945	63.750	24.095	20.776	40.529	61.651	80.997	102.601
Cumulative Profit	- 7.945	55.804	79.900	100.676	141.206	202.856	283.853	386.454

Exhibit 4: Cash Flow Statement

Cash Flow Statement	2013	2014	2015	2016	2017	2018	2019	2020
Cash Received								
Cash from Operations	- 5.447	66.198	27.282	23.374	42.332	62.599	80.774	101.807
Depreciation & Amortization	752	23.560	23.560	23.560	17.107	10.586	10.586	10.586
Subtotal Cash from Operations	- 4.695	89.758	50.842	46.934	59.439	73.185	91.360	112.393
Investment / Divestment in WC								
Working Capital	- 2.486	- 4.611	13.445	421	481	604	579	624
Operational Cash Flow	- 7.181	85.147	64.287	47.354	59.920	73.789	91.939	113.017
Investment / Divestment in Fixed Capital								
Fixed Capital	- 37.580	- 261.918	-	-	-	-	-	-
Free Cash Flow	- 44.761	- 176.771	64.287	47.354	59.920	73.789	91.939	113.017
Accumulated Cash Flow	- 44.761	- 221.532	- 157.245	- 109.891	- 49.971	23.819	115.758	228.775

Exhibit 5: Balance Sheet

Balance Sheet	2013	2014	2015	2016	2017	2018	2019	2020
Assets								
<i>Current Assets</i>	96.213	63.986	140.906	172.624	225.413	293.389	380.101	489.223
Cash	94.540	56.696	140.151	171.802	224.504	292.385	378.996	488.008
Inventory	-	-	348	380	408	450	490	534
State & Other Public Entities	1.673	7.290	-	-	-	-	-	-
Clients	-	-	407	442	501	554	614	681
<i>Long-term Assets</i>	36.828	275.186	251.625	228.065	210.958	200.372	189.786	179.200
Fixed Tangible Assets	36.828	262.277	245.170	228.065	210.958	200.372	189.786	179.200
Intangible Assets	-	12.909	6.455	-	-	-	-	-
Total Assets	133.041	339.172	392.531	400.689	436.371	493.761	569.887	668.423
Liabilities								
<i>Current Liabilities</i>	19.986	39.594	35.934	35.315	42.468	50.207	57.336	65.271
Supplier	187	1.193	5.511	5.782	6.014	6.354	6.663	6.987
State & Other Public Entities	-	18.602	10.624	9.734	16.655	24.054	30.874	38.485
Partners	19.799	19.799	19.799	19.799	19.799	19.799	19.799	19.799
<i>Long-term Liabilities</i>	120.000	108.000	96.000	84.000	72.000	60.000	48.000	36.000
Obtained Financing	120.000	108.000	96.000	84.000	72.000	60.000	48.000	36.000
Total Liabilities	139.986	147.594	131.934	119.315	114.468	110.207	105.336	101.271
Equity & Capital								
Cash Savings	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000
Others (e.g. Subsidy)	-	134.774	179.699	179.699	179.699	179.699	179.699	179.699
Retained Earnings	-	7.945	55.804	79.900	100.676	141.206	202.856	283.853
Earnings of the Period	- 7.945	63.750	24.095	20.776	40.529	61.651	80.997	102.601
Total Equity / Capital	- 6.945	191.578	260.598	281.375	321.904	383.555	464.552	567.153
Total Liabilities & Capital	133.041	339.172	392.532	400.690	436.372	493.762	569.888	668.424

Exhibit 6: Financial Ratios

Ratios	2015	2016	2017	2018	2019	2020
<i>Liquidity Ratios</i>						
Current Ratio	3,92	4,89	5,31	5,84	6,63	7,50
Quick Ratio	3,91	4,88	5,30	5,83	6,62	7,49
Cash Ratio	3,90	4,86	5,29	5,82	6,61	7,48
<i>Leverage Ratios</i>						
Debt to Assets	0,34	0,30	0,26	0,22	0,18	0,15
Short Term Debt	0,27	0,30	0,37	0,46	0,54	0,64
Long Term Debt	0,73	0,70	0,63	0,54	0,46	0,36
<i>Activity Ratio</i>						
Total Assets Turnover	0,13	0,35	0,37	0,38	0,38	0,37
<i>Profitability Ratios</i>						
Return on Sales	0,49	0,15	0,25	0,33	0,37	0,41
Return on Assets	0,06	0,05	0,09	0,12	0,14	0,15

Exhibit 7: Worst Case Scenario

Worst Case Scenario								
<i>Occupation Rate decreases by 30%, COGS & External Services increase by 20%</i>								
	2013	2014	2015	2016	2017	2018	2019	2020
Total Sales	0	0	36993	102099	118074	136290	157567	182170
Subsidy	0	134774	44925	0	0	0	0	0
COGS	0	0	6794	15907	18537	21662	25233	29387
External Services	2020	12446	11284	30567	31106	31699	32357	33017
Personal Expenses	4491	10504	16477	38945	38945	39724	40519	41329
EBITDA	-6511	111824	47363	16680	29486	43204	59458	78437
Depreciation & Amortization	752	23560	23560	23560	17107	10586	10586	10586
EBIT	-7263	88264	23803	-6880	12379	32618	48872	67851
Interests Received	935	557	1574	1713	2125	2617	3533	3646
Interests Paid	1617	6470	5823	5176	4529	3882	3235	2588
EBT	-7945	82351	19554	-10343	9975	31353	49170	68908
Tax	0	18602	4889	-2586	-92	7747	12292	17227
Earnings of the Period	-7945	63750	14666	-10343	9975	23607	36877	51681
Cumulative Profit	-7945	55804	70470	60127	70103	93709	130587	182268
Changes to Regular Scenario	0	0	-10002	-41121	-71675	-109719	-153838	-204758

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